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POUCHED FOR INFO TO ALL AMCONSULS IN CANADA

EO 11652 NA

TAGS EEWT BDIS BEXP UR CA

SUBJ CANADIAN FIRMS THAT DISTRIBUTE SOVIET PRODUCTS

REF STATE 108719

1. SENIOR DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE (ITC) OFFICIAL, R.M. GAYNER, DIRECTOR OF EUROPEAN BUREAU, ALTHOUGH DEEP IN THROES OF PREPARING FOR MAY 15 ARRIVAL OF DEPUTY MINISTERIAL SOVIET TRADE DELEGATION (OTTAWA 1767) AND LAUNCHING SENIOR ASSISTANT DEPUTY MINISTER T.M. BURNS ON OFFICIAL TRIP TO POLAND, CZECHOSLOVAKIA AND BULGARIA, TOOK AN HOUR BETWEEN TELEPHONE CALLS TO GIVE EMBASSY'S COMMERCIAL COUNSELOR FULL RUN-DOWN RESPONSIVE TO QUESTIONS REFTEL.

2. GAYNER SAID ONLY REAL PROBLEM ALONG LINES PARA 2 REFTEL HAS BEEN IN RELATION TO EMEC, WHO HAVE HANDLED SOVIET SALES OF TURBINES FOR TWO HYDROELECTRIC PROJECTS IN BRITISH COLUMBIA (B.C.) AND JENPEG PROJECT IN MANITOBA. THERE HAVE BEEN WELL-PUBLICIZED ALLEGATIONS BY CANADIAN GENERAL ELECTRIC (CGE), WHOSE SUBSIDIARY, DOMINION ENGINEERING WORKS LIMITED, REPORTEDLY SUBMITTED QUOTATION OF \$39.6 MILLION FOR TM MOST RECENT BMCM CONTRACT. (SOVIET BID OF \$25 MILLION COVERING FOUR HYDROELECTRIC
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TURBINES WAS SUCCESSFUL, ACCORDING TO CANADIAN PRESS OF

APRIL 25 AND 28. PRESS QUOTED CGE AS SAYING SOVIET PRICE WAS "SUBSTANTIALLY BELOW OUR COST FOR MATERIAL ALONE, "AND REPORTED POSSIBILITY OF CGE LODGING FORMAL ANTI-DUMPING COMPLAINT WITH GOC.)

3. EMBASSY RECALLS ALLEGATIONS OF SOVIET DUMPING IN CONNECTION WITH SIMILAR SALE TO B.C. HYDRO IN 1971. SOVIETS CAME IN AS LOW BIDDER ON FOUR OF EIGHT TURBINES FOR MICA CREEK POWERHOUSE ON COLUMBIA RIVER. AFTER AN INVESTIGATION, B.C. HYDRO AWARDED THE SOVIETS ONLY TWO AND AWARDED THE OTHER TWO FROM THE JAPANESE, WHO WERE SECOND LOW BIDDERS. CGE WAS AWARDED CONTRACT FOR REMAINING FOUR AND THEY ARE NOW BEING BUILT. AT THAT TIME, SOVIET TRADE REPRESENTATIVE IN OTTAWA TOLD EMBASSY'S COMMERCIAL COUNSELOR THERE WAS NO SIMILARITY BETWEEN COSTING PRINCIPLES AND METHODS IN THE USSR AND CANADA. HE SAID THE REASON THE SOVIET BID HAD BEEN SO LOW WAS THAT THE TURBINES OFFERED WERE PRACTICALLY THE SAME AS THOSE ALREADY BUILT IN THE USSR FOR THE KRASNOYARSK POWER PROJECT ON THE BRATSK RIVER IN SIBERIA AND THAT NO NEW ENGINEERING OR TOOLING WOULD HAVE TO GO INTO THE CONSTRUCTION OF THE TURBINES FOR B.C. HYDRO.

4. GAYNER DESCRIBED EMEC AS A SMALL FIRM IN VICTORIA, B.C. WHICH SOVIETS BOUGHT OUT AND THEN INSTALLED THEIR OWN MAN FROM AN ENERGOIMPORT TO RUN. HIS PROMOTIONAL AREA, SAID GAYNER, EXTENDS GEOGRAPHICALLY TO CANADA'S MARITIME REGION.

5. STANKO-CANADA (MACHINE TOOLS), SAID GAYNER, PRESENTLY IS A CORPORATION ON PAPER, WITH NOMINAL, INACTIVE OFFICES IN TORONTO AND MONTREAL. PROBLEM HERE HAS BEEN A PRIVATE COMMERCIAL ONE BETWEEN STANKO AND ITS ORIGINAL AGENT IN QUEBEC. DISPUTE WITH AGENT WAS TAKEN TO COURT, WITH RESULT THAT OVER ONE MILLION DOLLARS WORTH OF MACHINE TOOLS HAVE BEEN IMPOUNDED FOR SEVERAL YEARS. FURTHER ACTIVITY BY STANKO-CANADA IS PRECLUDED PENDING OUTCOME OF LENGTHY COURT CASE. GAYNER SAID SOVIETS RAISE THIS ISSUE WITH GOC EVERY TIME BILATERAL TRADE CONSULTATIONS LIMITED OFFICIAL USE

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ARE HELD.

6. BELARUS, SAID GAYNER, IS OWNED BY TRACTOROEXPORT AND HAS HEAD OFFICE IN TORONTO. GAYNER THOUGHT MONTREAL ADDRESS AND TELEPHONE NUMBERS FOR BELARUS MAY WELL BE THOSE OF THE OFFICIAL SOVIET TRADE REPRESENTATIVE THERE. (HE MAY BE INCORRECT BASED ON OUR CHECK OF MONTREAL PHONE BOOK.) BELARUS IS ENGAGED IN SALES, SERVICING AND TRAINING OF

MECHANICS AND HAS A PARTS WAREHOUSE IN TORONTO. SOVIET COMMERCIAL COUNSELOR MYSHKOV IS PRESENTLY NEGOTIATING A SIMILAR WAREHOUSE IN WESTERN CANADA, SAID GAYNER. HE SAID FURTHER THAT SATRA CORPORATION OF U.S. HAS BEEN HANDLING MARKETING IN THE U.S. AND CANADA FOR BELARUS TRACTORS. TORONTO WILL BE THE BASE FOR MARKETING EFFORT IN U.S. GAYNER ADDED THAT MR. OSTAMAL (PHONETIC) OF SATRA WAS IN CANADA THIS PAST WEEKEND ENTERTAINING SOVIET DEPUTY FOREIGN TRADE MINISTER ALKHIMOV IN TORONTO AND NIAGARA FALLS. GAYNER SAID, FINALLY, THAT NO PROBLEMS OF THE KIND OUTLINED PARA 2 REFTTEL HAVE COME UP IN THE CASE OF BELARUS.

7. HE SAID ALSO THAT OTHER SOVIET TRADING AGENCIES WORK THROUGH THE USSR TRADE REPRESENTATIVES IN MONTREAL AND OTTAWA AND SOVIETS ARE ABOUT TO OPEN A SHOWROOM IN OTTAWA, PROBABLY FORMALLY WHEN MINISTER PATOLICHEV VISITS OTTAWA IN NEAR FUTURE.

8. GAYNER VOLUNTEERED FOLLOWING ADDITIONAL INFORMATION ON THE SOVIETS' COMMERCIAL SHIPPING INTERESTS IN CANADA. MARCH SHIPPING OF MONTREAL ARE REPRESENTATIVES FOR SOVIET SHIPPING ON EAST COAST OF CANADA (AND THE U.S.) AND GREAT LAKES, AND DO A SIGNIFICANT AMOUNT OF BUSINESS (MOSTLY IN WHEAT). THE SOVIETS HAVE MADE NOISES ABOUT BUYING A PERCENTAGE OF THE COMPANY WHICH, SAID GAYNER, IS TYPICAL OF THE SOVIET APPROACH. IF THE COMPANY REFUSES TO SELL, THE SOVIETS MIGHT PICK UP A U.S. AGENT, IN WHICH CASE GAYNER INDICATED CANADIANS WOULD BE QUITE UPSET.

9. ON THE WEST COAST, SAID GAYNER, THE SOVIETS OWN 50 PERCENT INTEREST IN PACIFIC COAST FREIGHT LINES LIMITED OFFICIAL USE

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AND HAVE THEIR OWN MAN FROM THE USSR INSTALLED AS PRESIDENT, ALTHOUGH CHAIRMAN OF THE COMPANY IS A CANADIAN. THE SOVIET PRESIDENT IS A BONA FIDE SHIPPING MAN, THE COMPANY IS DOING A LOT OF GENERAL CARGO BUSINESS OUT OF JAPAN, AND GIVES THE SOVIETS U.S. WEST COAST PORT COVERAGE. THE COMPANY ALSO SEEMS TO BE PLANNING TO MOVE INTO CONTAINERS.

10. AMCONSULS TORONTO, MONTREAL, VANCOUVER AND WINNIPEG HEREBY REQUESTED TO TELEX DEPARTMENTS OF STATE AND COMMERCE AND COPY EMBASSY OTTAWA IF THEY HAVE OR ACQUIRE INFORMATION SUPPLEMENTING FOREGOING. STATE 108719 ASKED ON PRIORITY BASIS FOR DETAILS ABOUT CANADIAN EXPERIENCE WITH THREE FIRMS CITED ABOVE, INCLUDING ANY COMPLAINTS, PROBLEMS OR LEGAL CASES THAT

HAVE ARISEN AND, PARTICULARLY, COMPLAINTS OF MARKET
DISRUPTION, ALLEGED DUMPING AND SIMILAR.
PORTER

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